



*The Best Strategic Thinking For The Oil and Gas Indust*

Have Excess Capacity, Will Work

Oil & Gas Goes E-Business

Taking E-Business Offshore

The Internet in the Oil & Gas Industry

Leveraging E-Commerce Technology to Increase Capital Efficiency

E-Business: Fields of Opportunity

Navigating the New E-Commerce Landscape

Improving the Workflow Process Through E-Business

## Leveraging E-Commerce Technology to Increase Capital Efficiency

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By Jeff Livesay, Chairman and CEO, WellBid, Inc.

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There is a strange dichotomy in the oil and gas business. In some oil and gas companies readily adapt cutting-edge technology (i.e. geographic-information systems or seismic analysis). But, in other the technology is outdated when compared to the state of the art software and telecommunications industries. The areas most in need of improvement are communications and commerce.

At a recent luncheon I attended, an audience member asked the presenter whether publicly traded oil and gas companies would have to wait for a "meltdown in the technology sector" before returning to multiples. Betting on a technology meltdown is hardly the way to increase multiples. Betting on technology makes far more sense.

Companies need to leverage technology to reduce costs and increase capital efficiency. Internet companies are lean and mean and enjoy multiples in part because they tend to have extremely low overhead. They outsource practically every traditional business function: human resources, financial systems, customer relationship management, and others. The gross-revenue-to-employee ratios for Internet companies are higher than in any other industry.

Oil and gas companies that adopt a similar approach will see dramatic reductions in operating and overhead costs and the attendant maintenance effects because they can then focus on what they do best: finding and producing hydrocarbons.

The theme of reducing costs through combining needs isn't new - enabling technology is. Software and communications advances will catalyze the formation of virtual oil companies through four prevailing technology trends: more-open, more-collaborative, and higher-bandwidth communications; standardization of data and data markup languages; end-to-end supply chain integration; the establishment of centralized industrywide repositories of knowledge, or "experience warehouses"; and the outsourcing of traditional Information Technology (IT) functions to software centers of excellence, or application service providers (ASP's).

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